

Message Text

CONFIDENTIAL

PAGE 01 STATE 099277 TOSEC 110042

62

ORIGIN EB-07

INFO OCT-01 ISO-00 AF-08 SS-15 SSO-00 CCO-00 /031 R

DRAFTED BY EB/IFD/OMA:BGCROWE

APPROVED BY EB:JAGREENWALD

EB/IFD:PHBOEKER

AF:JJBLAKE

S/S:CABORG

S:RWAHERNE

-

----- 086590

P 240040Z APR 76 ZFF4

FM SECSTATE WASHDC

TO USDEL SECRETARY PRIORITY

C O N F I D E N T I A L STATE 099277 TOSEC 110042

STADIS////////////////////////////////////

FROM GREENWALD FOR DEPUTY SECRETARY ROBINSON

E.O. 11652: GDS

TAGS: EFIN, CD

SUBJECT: ACTION MEMORANDUM: ZAIRE DEBT RESCHEDULING

S/S 7608620)

1. SECRETARY SIMON SENT SECRETARY KISSINGER A LETTER ON THE SUBJECT OF ZAIRE DEBT RESCHEDULING. THE LETTER IS ATTACHED AS TAB (A). SINCE YOU HAVE FULL BACKGROUND ON THIS ISSUE, REQUEST YOU SEEK THE SECRETARY'S APPROVAL ON THE SUGGESTED REPLY (TAB B). GIVEN THE FACT THAT THE US DELEGATION LEAVES TOMORROW FOR THE PARIS CLUB MEETING, REQUEST THE EARLIEST POSSIBLE REPLY.

2. TAB A: QUOTE DEAR HENRY: I WRITE WITH REFERENCE TO YOUR FORTHCOMING TRIP TO ZAIRE AND THE RESCHEDULING OF ZAIRE'S EXTERNAL DEBT SERVICE PAYMENTS THIS YEAR. AS YOU MAY BE AWARE, A MEETING OF THE PARIS CLUB OF CREDITORS ON ZAIRIAN RESCHEDULING (APRIL 26 AND 27) WILL COINCIDE WITH
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 099277 TOSEC 110042

YOUR VISIT TO KINSHASA. AS THE SUBJECT OF DEBT RESCHEDUL-

ING IS LIKELY TO ARISE, I WOULD LIKE TO CONVEY TO YOU MY MAJOR CONCERNS FOR THE RESCHEDULING NEGOTIATIONS:

A. THE ACTUAL AMOUNTS OF DEBT TO BE RESCHEDULED SHOULD BE LEFT OPEN PENDING MORE ADEQUATE STATISTICAL INFORMATION ON WHICH TO FORMULATE A JUDGMENT.

B. RESCHEDULING SHOULD BE APPLICABLE ONLY TO THOSE DEBT SERVICE PAYMENTS ON PUBLIC SECTOR DEBTS (INCLUDING GUARANTEED PRIVATE CREDITS) IN ARREARS FROM 1975 AND FALLING DUE IN 1976.

C. AN ECONOMIC PERFORMANCE PROGRAM BROADLY EQUIVALENT TO ONE WHICH WOULD BE RECOMMENDED BY THE IMF FOR A COUNTRY DRAWING IN ITS SECOND CREDIT TRANCHE BE ESTABLISHED FOR ZAIRE. SUCH A PROGRAM IS NECESSARY TO INSURE THAT THE FUNDS PROVIDED BY DEBT RELIEF ARE NOT EXPENDED IN A FRIVOLOUS FASHION (AS HAS BEEN THE CASE IN PAST ZAIRIAN ECONOMIC PROGRAMS) AND TO INSURE THAT THE GOVERNMENT OF ZAIRE UNDERTAKES APPROPRIATE MEASURES TO RIGHT ITS ILL-MANAGED ECONOMY.

D. THAT WE MAINTAIN A CREDITOR CLUB FORUM FOR NEGOTIATION OF DEBT RESCHEDULING. IN THE ZAIRIAN CASE, IT MAKES SENSE FOR THE FRENCH AS CHAIRMAN OF THE PARIS CLUB TO FOLLOW UP THE INITIAL MEETING OF APRIL 26-27 BY CHAIRING THE SUBSEQUENT NEGOTIATING SESSIONS. THIS WOULD NOT PRECLUDE A TECHNICAL MEETING TO GATHER AND EVALUATE STATISTICAL DATA OR A FINAL CEREMONIAL MEETING IN KINSHASA. HOWEVER, I CANNOT AGREE TO BREAKING WITH PRECEDENT BY CONDUCTING NEGOTIATIONS IN A FORUM OTHER THAN A CREDITOR CLUB OR BY INVOLVING THE IMF AS A PARTY TO THE NEGOTIATIONS.

3. WITH RESPECT TO PREPARATION FOR THE MEETINGS OF THE PARIS CLUB OF CREDITORS ON APRIL 26-27, A TREASURY CHAIRED WORKING GROUP OF THE NATIONAL ADVISORY COUNCIL HAS BEEN PREPARING BACKGROUND MATERIAL AND A U.S. POSITION PAPER FOR THESE MEETINGS. THIS REPRESENTS THE FIRST EFFORT OF THE NAC IN THIS AREA FOLLOWING OUR ORAL UNDERSTANDING OF LAST YEAR WHEREBY I CONCURRED THAT STATE

CONFIDENTIAL

PAGE 03 STATE 099277 TOSEC 110042

WOULD HEAD THE U.S. DELEGATION TO DEBT RESCHEDULING EXERCISES, AND IN TURN YOU AGREED THAT RESPONSIBILITY FOR POLICY FORMULATION WOULD RESIDE WITH TREASURY. I WAS DEEPLY CONCERNED, THEREFORE, TO LEARN THAT STATE HAS REFUSED TO PARTICIPATE IN THE NAC WORKING GROUP FOR ZAIRE DEBT RESCHEDULINGS CLAIMING THAT THE NAC DOES NOT HAVE THE AUTHORITY TO FORMULATE POLICY ON INDIVIDUAL DEBT RESCHEDULING CASES. I WOULD HOPE THAT THIS IS ONLY A MISUNDER-

STANDING OR AN OVERSIGHT ON THE PART OF SOME INDIVIDUALS AT STATE IN NOT RELATING THE BASIS OF OUR ORAL AGREEMENT TO THE STAFF LEVEL, RATHER THAN A DISAGREEMENT IN PRINCIPLE

4. AS THE U.S. DELEGATION TO THE PARIS CLUB DEPARTS THIS WEEKEND, I WOULD APPRECIATE IT IF YOU WOULD GIVE THIS MATTER PROMPT ATTENTION SO THAT OUR DELEGATION IS NOT

UNINSTRUCTED IN THIS FIRST AND VERY IMPORTANT MEETING ON ZAIRE DEBT RESCHEDULING. SINCERELY, (BILL) WILLIAM E. SIMON. END QUOTE.

5. TAB B: QUOTE DEAR BILL: THANK YOU FOR YOUR LETTER OF APRIL 22 AND YOUR VIEWS REGARDING DEBT RESCHEDULING FOR ZAIRE. THIS IS A MATTER THAT I HAVE FOLLOWED CLOSELY GIVEN THE IMPORTANCE OUR GOVERNMENT ATTACHES TO OUR BILATERAL RELATIONS WITH ZAIRE.

6. THE DEPARTMENT HAS DEVELOPED, IN CLOSE CONSULTATION WITH OTHER INTERESTED AGENCIES, A RECOMMENDED POSITION FOR THE APRIL 26-27 "PARIS CLUB" MEETING. THIS IS CONTAINED IN NAC DOCUMENT 76-245 WHICH HAS BEEN CIRCULATED TO NAC AGENCIES FOR APPROVAL. IT WOULD APPEAR THAT ASIDE FROM THE "PERFORMANCE CRITERIA" AND "FORUM" ISSUES, THAT OUR VIEWS ON THE RESCHEDULING ARE IN CLOSE HARMONY.

7. AS YOU ARE AWARE, ZAIRE HAS DEVELOPED A STABILIZATION PROGRAM IN CONNECTION WITH THEIR RECENTLY CONCLUDED IMF STAND-BY ARRANGEMENT. WHILE I AGREE TO THE PRINCIPLE OF LINKING PERFORMANCE CRITERIA TO DEBT RESCHEDULING, I BELIEVE THAT IN THE ZAIRE CASE OUR FOCUS SHOULD BE ON INSURING FULL IMPLEMENTATION OF THE CURRENT PROGRAM RATHER THAN ON DEVELOPING NEW CRITERIA. THIS PARTICULAR ISSUE IS CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 099277 TOSEC 110042

NOT EXPECTED TO RECEIVE MUCH ATTENTION AT THE APRIL 26 MEETING, HOWEVER, AND OUR DELEGATE CAN ACCOMMODATE BOTH OUR VIEWS BY MERELY STRESSING THE IMPORTANCE OF RECONCILING PERFORMANCE WITH RESCHEDULING.

8. ON THE "FORUM" ISSUE, I BELIEVE OUR OBJECTIVE SHOULD BE TO ADOPT A PROCEDURE THAT IS ACCEPTABLE TO BOTH ZAIRE AND THE CREDITORS. I SUPPORT THE CREDITOR CLUB CONCEPT FOR DEBT NEGOTIATIONS, BUT BELIEVE THE CREDITORS HAVE THE RESPONSIBILITY TO INSURE SUCH CLUBS MAINTAIN SUFFICIENT FLEXIBILITY TO BE RESPONSIVE TO LEGITIMATE DEBTOR CONCERNS. ASPECTS OF CLUB NEGOTIATIONS SUCH AS CHAIRMANSHIP, MEETING SITE, AND UTILIZATION OF NON-CLUB FINANCIAL EXPERTISE INCLUDING THE IMF, WOULD APPEAR PARTICULARLY SUITED TO FLEXIBILITY. IN THE CASE OF ZAIRE, I WOULD HOPE SUCH

FLEXIBILITY ON THE PART OF THE CREDITORS WILL BE ABLE TO FORESTALL AN IMPASSE WHICH COULD HAVE SERIOUS IMPLICATIONS IN THE UNCTAD CONTEXT FOR THE CREDIBILITY OF THE CLUB MECHANISM AND OUR AGREED POSITIONS ON DEBT.

9. I AM SURPRISED THAT YOU HAVE A PROBLEM REGARDING THE BUREAUCRATIC PROCEDURES BY WHICH POLICY ON INDIVIDUAL DEBT RESCHEDULING CASES HAS BEEN FORMULATED. IN THE SPRING OF 1974 WE REACHED AN ORAL UNDERSTANDING THAT (1) STATE WOULD

HAVE RESPONSIBILITY FOR CARRYING OUT NEGOTIATIONS, WHILE (2) US POLICY ON DEBT RESCHEDULING CASES WOULD BE COORDINATED IN THE NATIONAL ADVISORY COUNCIL. THE PROCEDURES WE SUBSEQUENTLY DEVELOPED TO IMPLEMENT THE SECOND POINT INVOLVED STATE DEVELOPING WITH THE CREDITOR AGENCIES AND OTHER INTERESTED AGENCIES, PARTICULARLY TREASURY, THE RECOMMENDED POSITION FOR INDIVIDUAL RESCHEDULING NEGOTIATIONS. THIS POSITION WAS THEN TO BE SUBMITTED TO THE NAC FOR APPROVAL OR AMENDMENT. SUBSEQUENTLY, THIS PROCEDURE WAS SUCCESSFULLY APPLIED, WITH TREASURY PARTICIPATION TO THE CASES OF CHILE, PAKISTAN, INDIA AND POLAND. I SEE NO REASON WHY IT SHOULDN'T WORK EQUALLY WELL IN THE CURRENT ZAIRE CASE.

10. I THINK IT IMPORTANT, HOWEVER, THAT WE NOT PERMIT THIS BUREAUCRATIC PROBLEM TO OBSCURE THE LARGER ISSUES AT
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 099277 TOSEC 110042

STAKE IN THE ZAIRE RESCHEDULING. GIVEN THE GREAT SIMILARITY OF VIEWS BETWEEN STATE AND TREASURY ON OUR POSITION FOR THE APRIL 26 MEETING, I AM INSTRUCTING THE HEAD OF THE U.S. DELEGATION TO FOCUS HIS REMARKS AT THE MEETING ON THOSE POINTS WHERE STATE AND TREASURY AGREE.

11. FOR FUTURE NEGOTIATIONS ON ZAIRE, AS WELL AS ANY FUTURE CASES THAT MAY ARISE, I SUGGEST WE SETTLE THE PROCEDURES AS FOLLOWS. STATE SHOULD PREPARE, IN CONSULTATION WITH OTHER NAC AGENCIES, THE RECOMMENDED NEGOTIATING POSITIONS FOR NAC REVIEW AND COORDINATION. THE NAC WOULD REVIEW AND AMEND THESE AS NECESSARY AT ITS REGULAR SESSIONS. ALTERNATIVELY, SHOULD THE NAC CONSIDER THAT THE PROPOSED POSITION RAISES POLICY ISSUES THAT NEED FURTHER VETTING TO ASSURE THEIR ADEQUATE COORDINATION WITH EXISTING US MONETARY AND FINANCIAL POLICY THE NAC COULD ESTABLISH A WORKING GROUP TO REVIEW THESE ISSUES BEFORE NAC ACTION. CAN WE NOT SETTLE THE BUREAUCRATIC PROCEDURES ON THIS SOLOMONIC BASIS? END QUOTE SISCO

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, POLICIES, DEBT REPAYMENTS, NEGOTIATIONS
Control Number: S7608620
Copy: SINGLE
Draft Date: 24 APR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE099277
Document Source: CORE
Document Unique ID: 00
Drafter: BGCROWE
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760155-0348
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760424/aaaaauoj.tel
Line Count: 220
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 21 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 APR 2004 by buchant0>; APPROVED <12 AUG 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ACTION MEMORANDUM: ZAIRE DEBT RESCHEDULING S/S 7608620
TAGS: EFIN, CD, CG, US, PARIS CLUB, (SIMON, WILLIAM E), (KISSINGER, HENRY A)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006